

VZCZCXRO6894
PP RUEHCHI RUEHDT RUEHHM RUEHNH
DE RUEHPF #0607/01 2320846
ZNR UUUUU ZZH
P 200846Z AUG 09
FM AMEMBASSY PHNOM PENH
TO RUEHC/SECSTATE WASHDC PRIORITY 1090
INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC

UNCLAS SECTION 01 OF 02 PHNOM PENH 000607

SIPDIS
STATE PASS USTR - KLEIN
BANGKOK PASS FCS - GRIFFIN GREENE
HANOI PASS FCS
SINGAPORE PASS FCS

E.O. 12958: N/A
TAGS: [ETRD](#) [EINV](#) [CB](#)
SUBJECT: AMERICAN BUSINESS COMMUNITY INFORMS SENATOR WEBB THAT
CAMBODIA IS OPEN FOR BUSINESS

SENSITIVE BUT UNCLASSIFIED

¶1. (SBU) SUMMARY: During an August 18 meeting with Senator Jim Webb, representatives from the American business community were positive on investment and trade prospects in Cambodia. They highlighted Cambodia's liberal and reforming legal regime, its generally supportive government, and widespread admiration for the United States as key factors which make Cambodia an attractive destination for foreign investors. Challenges to doing business in Cambodia include the weak judiciary, undeveloped human resources, poor infrastructure, and lax rule of law. Senator Webb's brief visit to Cambodia was an encouraging sign for members of Amcham, who warmly welcomed greater U.S. engagement in the region and future visits of the Senator, other U.S. representatives, or companies to Cambodia to learn more about the country's often underappreciated economic and commercial prospects. END SUMMARY.

Cambodian and U.S. Governments Supportive of U.S. Investors

¶2. (SBU) During an August 18 luncheon hosted by the Ambassador, Amcham members told Senator Webb about the Cambodian government's constructive attitude toward the private sector and its steady process of legal reforms after acceding to the World Trade Organization (WTO) in 2004 as important factors underlying increased interest by American companies. Amcham Chairman Brett Sciaroni praised the Cambodian government's regular dialogue with the private sector through the Government Private Sector Forum (GPSF), which culminates in bi-annual meetings during which the Prime Minister directly addresses the concerns of businesses in all sectors of the economy. Sciaroni confidently asserted that "no Amcham has as much influence on a government in Southeast Asia as [in Cambodia]." (NOTE: Sciaroni has chaired the Amcham and the GPSF Working Group on Law, Taxation, and Good Governance since their inception. END NOTE.)

¶3. (SBU) Sciaroni also expressed appreciation for increased USG engagement on economic and trade issues with Cambodia, which has allowed Amcham to emerge as one of the most active and fastest-growing business associations in Phnom Penh -- doubling its membership to 65 members in only two years. He suggested the U.S. Embassy's strong support to U.S. investors as another major factor that has led to more U.S. companies doing business in Cambodia.

Weak Judiciary Tops List of Persistent Problems

¶4. (SBU) Senator Webb cited a weak judiciary as a primary deterrent to American investors in Vietnam when it was opening to American companies in the mid-1990s. According to Sciaroni, American companies are only beginning to take increasing note of Cambodia, but as a practicing lawyer, he bleakly assessed the judiciary due to corruption, inefficiency, and political interference. Because of the Foreign Corrupt Practices Act, U.S. companies must rely on political influence to resolve disputes that go to court, a

situation he deemed "undesirable" in Cambodia's small market. Several businessmen were positive about the nascent National Arbitration Center, one of a number of reforms underway to improve the investment climate, which will be an alternative forum for resolving commercial disputes. Challenges noted by the private sector representatives also included weak human resources for technical positions, unreliable energy supplies resulting in regular brownouts, and lack of intellectual property right protections.

Commercial Opportunities Abound

15. (SBU) According to Amcham Governor Curran Hendry, commercial opportunities exist in mineral, oil and gas exploration (Cambodia remains relatively unexplored by large U.S. and international companies); agriculture; tourism; manufacturing; infrastructure; and power generation and distribution. Dararith Lim, Country Representative for GE, which inaugurated its office in 2009, said GE is exploring opportunities in health care; water technology; consumer and industrial lighting; renewable energy; oil and gas development; transportation; and infrastructure. In addition, he noted that the initiation of a commercial presence in recent years by blue-chip American companies such as Microsoft, GE, Intel, Dupont, and Crown Holdings demonstrate the commercial potential that U.S. companies are beginning to perceive exists in Cambodia.

U.S. Community Wants More Visits

16. (SBU) Sciaroni expressed his appreciation for the Senator's visit, noting its importance in helping to raise awareness among American investors about commercial opportunities in Cambodia.

PHNOM PENH 00000607 002 OF 002

Sciaroni predicted that Cambodia would be one of the first countries in Southeast Asia to emerge from recessions induced by the global economic slowdown, and expressed his hope that U.S. companies would be able to capitalize on this recovery. Sciaroni expressed his hope that the Senator's visit would be a catalyst for future visits by other senior officials, laying the groundwork for further exploration of commercial opportunities by American companies.

COMMENT

17. (SBU) The Cambodian government recognizes foreign investment as critical to developing the economy and maintains among the most liberal investment regimes in Asia. While American companies are increasingly aware of Cambodia's openness and are exploring the market in increasing numbers, in general, U.S. perceptions about Cambodia have not kept pace with the country's progress. Senator Webb's visit and message of enhancing American engagement in Cambodia's economy is a boost to the small, but growing, U.S. commercial presence in the country. Such high-profile visits also help to update perceptions of Cambodia and better inform potential investors that Cambodia is open for business.

RODLEY